

STRATEGIES FOR CHILDREN, INC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

**STRATEGIES FOR CHILDREN, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
NOTES TO FINANCIAL STATEMENTS	7-11

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Strategies for Children, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Strategies for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strategies for Children, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bruce D. Norling, CPA, P.C.

December 15, 2016

STRATEGIES FOR CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 153,604
Accounts Receivable	227,585
Prepaid Expenses	<u>7,027</u>
Total Current Assets	<u>388,216</u>

TOTAL ASSETS

\$ 388,216

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 16,515
Accrued Expenses	<u>4,778</u>
Total Current Liabilities	<u>21,293</u>

NET ASSETS (DEFICIT)

Unrestricted	(23,244)
Temporarily Restricted	<u>390,167</u>
Total Net Assets	<u>366,923</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 388,216

The accompanying notes are an integral part of these financial statements.

STRATEGIES FOR CHILDREN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Grants and Contributions	\$ 396,304	\$ 390,167	\$ 786,471
Contract Revenue	62,905	-	62,905
Other Income	62,429	-	62,429
Interest Income	4	-	4
Net Assets Released from Restriction	104,167	(104,167)	-
Total Revenue and Support	625,809	286,000	911,809
EXPENSES			
Program Services	598,248	-	598,248
Administration	82,241	-	82,241
Fundraising	14,028	-	14,028
Total Expenses	694,517	-	694,517
CHANGES IN NET ASSETS	(68,708)	286,000	217,292
NET ASSETS, BEGINNING OF YEAR	45,464	104,167	149,631
NET ASSETS (DEFICIT), END OF YEAR	\$ (23,244)	\$ 390,167	\$ 366,923

The accompanying notes are an integral part of these financial statements.

STRATEGIES FOR CHILDERN, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets	\$ 217,292
Adjustments to Reconcile changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Increase in Accounts Receivable	(218,932)
Increase in Prepaid Expenses	(2,233)
Increase in Accounts Payable	857
Decrease in Accrued Expenses	<u>(5,986)</u>
Net Cash Provided by (Used in) Operating Activities	(9,002)
CASH, Beginning of year	<u>162,606</u>
CASH, End of year	<u><u>\$ 153,604</u></u>

The accompanying notes are an integral part of these financial statements.

STRATEGIES FOR CHILDERN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

EXPENSES	Program Services	Administration	Fundraising	Total
Salaries and Related Expenses				
Salaries and Wages	\$ 396,842	\$ 44,919	\$ 11,500	\$ 453,261
Payroll Taxes and Benefits	50,720	5,655	1,446	57,821
Total Salaries and Related Expenses	447,562	50,574	12,946	511,082
Consultants	86,458	5,115	-	91,573
Rent	30,074	3,353	857	34,284
Telecommunications	4,962	766	115	5,843
Office Supplies	1,518	1,175	-	2,693
Payroll Processing Fees	2,621	3,597	75	6,293
Printing and Postage	394	476	-	870
Marketing	11,115	-	-	11,115
Insurance	-	4,227	-	4,227
Computer and Internet	1,877	1,079	35	2,991
Professional Fees	-	6,646	-	6,646
Training and Development	615	150	-	765
Licenses and Fees	-	1,354	-	1,354
Dues and Subscriptions	2,288	-	-	2,288
Meals and Entertainment	304	185	-	489
Travel	8,460	3,544	-	12,004
TOTAL EXPENSES	\$ 598,248	\$ 82,241	\$ 14,028	\$ 694,517

The accompanying notes are an integral part of these financial statements.

STRATEGIES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF OPERATIONS

Founded in 2001, Strategies for Children, Inc. (the Organization) is a nonprofit organization that works to improve the well-being of children and families in Massachusetts and nationally through public policy, advocacy, research, constituency building, and public awareness. The Organization is committed to ensuring Massachusetts children have access to high-quality early education and become proficient readers by the end of third grade.

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of Strategies for Children Inc. have been prepared on the accrual basis. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents

The Organization considers all money market mutual funds and short-term debt securities purchased with maturity of three months or less, when purchased, to be cash equivalents.

Contributions Receivable

Contributions receivable within one year are recorded at carrying value. Contributions receivable over periods greater than one year are discounted and recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. As of June 30, 2016 there were no long-term pledges receivables. Management has determined the amounts are collectible and no allowance for uncollectible contributions receivable is needed.

Property and Equipment

Property and equipment over \$1,000 are capitalized. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method. Maintenance and repairs are expensed as incurred.

STRATEGIES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Classification of Net Assets

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the organization.

Revenue Recognition

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Contract revenue is recognized over the period covered by the contract as services are provided and costs are incurred.

Contributions, Gifts and Grants

The Organization records contributions, gifts and grants as receivables and revenue. The Organization distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions are recorded as revenue when the pledge is verified or received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value, and as of the date the gift is received. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

Fair Value of Financial Instruments

ASC Topic Fair Value Measurements establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Organization has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value, therefore the disclosure requirements do not currently apply.

Nonprofit Status and Income Taxes

The Organization is exempt from income taxes as an organization (not a private foundation) formed for charitable purposes and is tax-exempt under Section 501(c)(3)

STRATEGIES FOR CHILDERN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

of the Internal Revenue Code. Donors may deduct contributions made to the Company within Internal Revenue Code regulations. The Organization is subject to federal and state tax on income from any unrelated business. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2016.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization's federal and state income tax returns are generally open to examination for the last three years.

Advertising

Advertising costs are expensed as incurred. Advertising expense for fiscal year 2016 was \$0.

Functional Expenses

The cost of providing the various programs and other activities of the Organization has been summarized on a functional basis in the statement of activities. Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

3. LEASE AGREEMENT

The Organization subleases office space in Boston, Massachusetts on a tenant-at-will basis. Rent expense for the year ended June 30, 2016 was \$34,284.

4. EMPLOYEE BENEFIT PLAN

The Organization maintains a 401(k) retirement plan for its employees. Employees are eligible to participate in the plan after completing three months of service and attaining the age of 21. Under the terms of the plan, employees are entitled to contribute up to the maximum limitations established by the IRS. For the year ended June 30, 2016, the

STRATEGIES FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Organization made contributions of \$11,724 to the plan, which are included in fringe benefits.

5. RELATED PARTY TRANSACTIONS

A member of the Organization's Board of Directors is an employee of the company from which the Organization subleases its office space.

6. CONCENTRATIONS

Funding

For the year ended June 30, 2016, approximately 77% of the Organization's total operating revenue and support came from contributions received from three donors. Should the Organization lose one of these donors, it could adversely affect the Organization. They would possibly need to reorganize and reduce expenses.

7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are released from donor restrictions by satisfying the purpose or time restriction specified by donors. At June 30, 2016 temporarily restricted net assets were available for programs.

8. CONTINUING OPERATIONS

The Organization incurred unrestricted losses of \$68,708 for fiscal year 2016, leaving the Organization with \$(23,244) in unrestricted net assets as of June 30, 2016. To bolster its financial situation, the Organization has performed the following:

1. Continued the strategic planning process with a new vendor, Community Action Partners (CAP) from the Harvard Business School. This effort will rework the mission and vision statements resulting in opportunities to sharpen the message for future funders.
2. Allocated funds to build internal capacity to manage implementation of the Fundraising development plan.
3. Developed and is currently soliciting proposals for co-funding with partner organizations.
4. Created new fundraising and marketing materials to raise awareness and support including the publication of an annual report.

STRATEGIES FOR CHILDERN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

5. Created an earned income revenue stream which reimburses the Organization for consulting services provided to communities across the state. This stream is expected to grow.
6. Development of a cost containment plan which will tie expenditures directly to available revenue. Key components of the plan include staff reduction and the elimination of corresponding office space, materials, and overhead.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 15, 2016, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.